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SUBJECT: FINAL THOUGHTS FROM HANOI

FROM AMBASSADOR BURGHARDT

Four Fears and One New One

1. An American who knows Vietnam very well related to me soon after my arrival in Hanoi how he had briefed President Clinton just before Clinton's November 2000 visit to Vietnam: He had explained that the leadership of the Communist Party of Vietnam (CPV) makes its most important decisions in response to four basic fears:

Fear of China

Fear of the United States

Fear of Globalization

Fear of the Consequences of Economic Development

2. Four years later, the Four Fears Analysis is still a valid way of understanding the Socialist Republic of Vietnam's cautious leadership. The current generation of Politburo members, most of whom studied in the Soviet Union or its satellites, were traumatized by the collapse of the U.S.S.R., the end of the COMECON system and the demonstrations at Tiananmen Square. As one party loyalist told me, "Our nightmare is Poland, where they allowed both the labor unions and the Church to become independent forces, leading to loss of power. We won't let it happen here."

3. But while Vietnam remains one of the world's last Leninist systems, determined to resist the forces of "peaceful evolution," we also can see that there has been profound change underway in this society and in the thinking of the leaders during the past four years. A new fifth fear has reconfigured the influence of the other four:

Fear of falling further behind Vietnam's rapidly developing neighbors.

4. By mid-2003 Vietnam's aid donors, led by the World Bank, had convinced the Hanoi leadership that a rapid increase in Foreign Direct Investment (FDI) and rapid development of the domestic private sector were essential to provide the 1.5-2 million new jobs needed each year. If employment creation was left to the State-Owned Enterprises (SOE's), and Government apparatus, the country would soon face a very serious economic and social crisis, which the party leadership saw as the potential prelude to the nightmare scenarios of Eastern Europe. The leaders still saw danger in globalization and economic development, but the dominant leadership group saw greater danger in trying to resist the inevitable trends of the era.

Seeing the U.S. in a New Light

5. In mid-2003, the CPV leadership's new assessment of Vietnam's position in the world resulted in a shift of policy toward the United States. The June 2003 Party Plenum concluded that Vietnam's national security strategy had to be re-balanced. Relations with China had improved rapidly, but so had Vietnam's concern about Beijing's aggressive pursuit of greater influence in this part of the world. Relations with the U.S. had soured somewhat. Hanoi saw the inauguration of the Bush Administration as an unwelcome development, the replacement of a "friend" who normalized U.S.-SRV relations by a group seen as unreconstructed Cold Warriors. These suspicions were deepened by the Montagnard demonstrations in the Central Highlands in Spring 2001, followed by the exodus of 1,000 Montagnards to Cambodia and their resettlement in America. In the paranoid worldview of the CPV's headquarters on Ba Dinh Square, the fact that Montagnard exiles in South Carolina had encouraged the demonstrations proved that the disturbances were part of a destabilization plot directed out of the White House.

6. But by June 2003, the leadership was ready to leave that episode behind. Most party leaders now seemed willing to give the Bush Administration the benefit of the doubt. They were delighted by the huge surge in Vietnamese exports to the U.S. after the Bilateral Trade Agreement (BTA) went into effect in December 2001. They wanted to do everything possible to encourage more

U.S. investment. They concluded that Vietnam must join the WTO, ideally by 2005, and that U.S. support was the key ticket for WTO accession. They opposed the U.S. invasion of Iraq, but they were impressed by its quick victory. The U.S. was the dominant world power and it would be wise to get along with it. In Hanoi's realpolitik world review, the U.S. role was essential to keep China in check.

17. Following the Party Plenum, Vietnamese officials moved quickly to make clear to us their desire to improve our relationship. For a government which had treated strategic dialogue as almost a taboo subject, the new-found enthusiasm of Vietnamese officials to argue for "strategic balance" was a striking development. When the head of the Public Security Ministry's think tank announced a conference in Washington in October 2003 that the U.S. had become "naive about China," we knew that we had entered a new era in our dialogue with Vietnam. Two months later we would hear Deputy Prime Minister Vu Khoan tell the Secretary and Doctor Rice that the U.S. should pay more attention to Southeast Asia, that Vietnam feared that the U.S., distracted by the war on terrorism, had created a power vacuum in Southeast Asia which was being filled by "others." Whether or not we agreed with all these arguments, it was refreshing finally to talk about something more edifying than the catfish anti-dumping case.

18. During the past fifteen months we have rapidly made progress on a number of long-standing issues. Our relationship can now be considered more fully normalized:

We normalized military ties with the Defense Minister's visit to Washington in November 2003, followed by the first two U.S. Navy ship visits to Vietnam since the war. The Minister told me last week that ship visits could now be considered something "routine" and volunteered ideas for the future such as search-and-rescue cooperation.

The new civil aviation agreement should result in the first U.S. flagged planes landing at Tan Son Nhat in December.

The counternarcotics agreement finally was signed in December and training programs have begun.

America-bashing is way down in the official press.

The Embassy and our official visitors now have much better access to the Vietnamese leadership.

Humanitarian programs have greatly expanded, especially on HIV/AIDS and educational, and cultural exchange. Vietnamese counterparts for these programs have become much easier to work with.

The Year Ahead

19. Next year will be an important one for U.S.-Vietnam relations. Both countries are already planning events to commemorate the tenth anniversary of diplomatic normalization. The most important event could be an official visit to Washington by Prime Minister Phan Van Khai, the first to the U.S. by an SRV Chief of State. We have given the GVN a list of necessary actions to create the right atmosphere for a successful visit. The list includes some desired agreements (Article 98, IMET, use of a salvage ship for MIA searches), but is heavily weighted toward human rights and religious freedom issues. 2005 also will be a critical year in Vietnam's negotiations to enter the WTO. If we conclude a bilateral accession agreement, we will then go to our Congress to approve Permanent Normal Trade Relations (PNTR) for Vietnam. During the past few months we have regularly warned Vietnam's leaders that the PNTR vote will become the occasion for a congressional review of our overall relationship. Now is the time for Vietnam to expand its still rather narrow constituency of friends in the U.S. Now is the time to resolve human rights issues, open the market, and give U.S. companies some big contracts.

10. The Tenth Anniversary Year of our relationship will be important for Vietnam's leaders for another very different reason: the lead-up to the tenth Party Congress in early 2006. The jockeying for power, factional conflicts, and ideological debates have already begun. Some leaders are trying to give more prominence again to the old fears. Respected leaders of the revolutionary generation, including Gen. Vo Nguyen Giap, have circulated letters highlighting the risk to the party of corruption and use of the military intelligence service to spy on party leaders. Hardliners in the military and security service reportedly have reacted by launching a

new wave of paranoia about "peaceful evolution." Vietnamese tell us that the competing party factions split along several lines, which only partially coincide and which all probably exaggerate the differences: Regional (North, Central and South); rapid economic reform vs. continued statism; pro-China vs. pro-U.S. All of this political action "behind the screen" will probably result in revelations of new "scandals" as competing leaders reveal the cupidity of their rivals. It also may slow the already arthritic decision-making process as consensus becomes even more difficult.

Our Strategy

¶11. For the U.S., Vietnam is a rapidly developing mid-size country which has growing commercial and strategic value. It will become stronger and wealthier and will play a more important role in ASEAN and other regional organizations. This relationship is important to several American constituencies: The Vietnamese-Americans, veterans groups, MIA families, refugee advocacy groups, human rights organizations, and a slowly growing number of businesses.

¶12. The long-term trend here complements our interests and will not be affected by the current period of leadership competition. The leaders who will prevail know that change is inevitable and that successful change requires good relations with Washington. They now openly state that their goals are integration with the world and the development of a market economy. We will continue to see in Vietnam a rapidly growing private sector, stronger rule of law, increased foreign influence, the erosion of government control over people's lives, deepening cynicism or indifference toward the Communist Party, and the budding of a civil society. We should continue to encourage these powerful trends. Our strategic dialogue, economic policy negotiations, military interaction and humanitarian programs are all now on the right track. Our law enforcement cooperation is still at a very basic level and progress toward intelligence sharing has stalled. The Public Security types still don't trust us. The Easter 2004 Montagnard demonstrations, followed by the Giap letter, gave the hardliners new vigor, so we probably should not expect much progress on the intel/law enforcement front until after the Party Congress.

¶13. Our commercial ties are developing well, but commercial advocacy issues seem to have become almost invisible in the Washington agenda for Vietnam, which is dominated by human rights topics. That anomaly should be corrected some time over the next year. Otherwise, we hand the Europeans and Japanese avoidable victories and, even worse, we suggest that this relationship is not really that important to us. We should maintain our agenda on human rights issues while recognizing that the CPV's hardliners in fact are right: peaceful evolution is happening. Meanwhile we could remind ourselves that Nixon also was right: Peaceful evolution is not a government policy or strategy: it is the inexorable trend of history.

BURGHARDT